

I·N·F·O·M·A·T

A W E E K L Y R E V I E W

Friday, November 3, 1989

OVERVIEW

■ Economic Growth Accelerates Slightly

Real gross domestic product rose 0.3% in August, after growing sluggishly since the start of the year.

■ Turnaround in Building Permits

Following several months of sharply lower growth, the value of building permits jumped by almost 20% in July.

■ Average Weekly Earnings Register Faster Growth

The year-over-year increase in average weekly earnings has accelerated slightly in recent months, with most of advance originating in the Western provinces and New Brunswick.

■ Industrial Product Prices Weaken

The industrial product price index was down slightly in September for the third consecutive month.

■ Downturn in Raw Material Prices

The raw materials price index was also down for the third consecutive month in September, but the 2.6% decrease was substantial.

■ Decrease in International Travellers Slows

The volume of foreign tourists in Canada rose marginally in August for the second time in three months.

This issue also includes information on **Labour Productivity**.

Economic Growth Accelerates Slightly

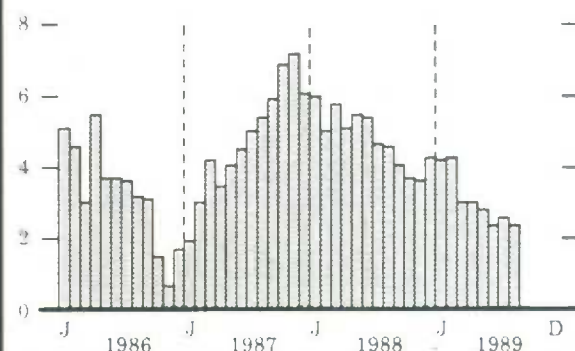
Real gross domestic product rose moderately in August, after growing sluggishly since the start of the year. GDP was 2.4% higher than in August 1988. Generally, the year-over-year growth rate has been slowing since January 1988. Most of the advance in August originated in the service industries; output of goods industries rose marginally.

The 0.4% advance in the service industries was the largest monthly gain so far in 1989. This advance followed increases of 0.2% in each of the previous three months and little growth in the first four months of the year. A little more than half the August gain originated in the finance, insurance and real estate industry. Higher output was also registered in transportation and storage, wholesale trade, and the communications industries.

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Gross Domestic Product

(% change, previous year)



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... Economic Growth Accelerates Slightly

The 1.0% increase in the finance, insurance and real estate industry was the largest month-to-month gain since October 1987. Following three large decreases from March to May, the resale housing market firmed in June and July and rose considerably in August. Increased volumes of trading on Canadian stock exchanges also contributed to the surge in output.

Output by the goods-producing industries edged up for a second consecutive month, continuing the pattern of little growth evident in 1989. Manufacturing, agriculture, and construction output rose, while mining, forestry and public utilities posted declines.

Manufacturing production advanced 0.3%, primarily due to widespread gains by producers of non-durable goods. Output of durable goods was unchanged

Real Gross Domestic Product

	Apr.	May	June	July	Aug.
	% change, previous month				
Real Gross Domestic	0.2	0.1	0.0	0.2	0.3
Goods-producing	0.4	0.0	-0.4	0.2	0.1
Service-producing	0.0	0.2	0.2	0.2	0.4

from July as a decline in production of electrical products offset higher production of transportation equipment, wood products and machinery.

For further information, order *Gross Domestic Product by Industry* (catalogue number 15-001) or contact *Industry Measures and Analysis Division* at (613) 951-3673.

Turnaround in Building Permits

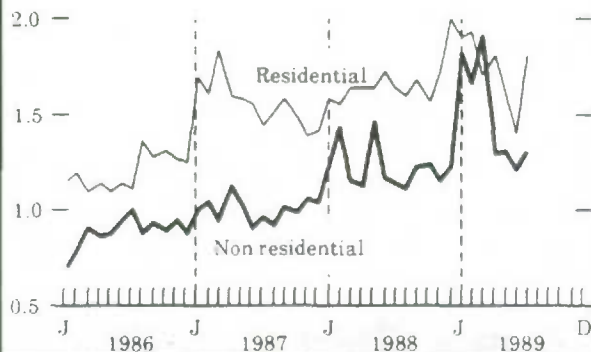
The value of building permits issued jumped by almost 20% in July, to reach \$3.2 billion. This increase followed several months of sharply slower growth in both residential and non-residential activity. Although both sectors posted gains in the current month, the improvement was most noticeable in residential construction.

Residential permits rebounded 31.6% in July, interrupting the sharp downturn noted since the first of the year. The value of residential permits increased to \$1.8 billion in the current month, close to the peak of \$1.9 billion recorded in December. All regions except British Columbia posted advances but the major gains came from Central Canada. Permits issued for multi-family and single-family dwellings both improved in Quebec. In Ontario, most of the advance occurred in the single-family dwelling sector.

Following a sharp decline and three months of little change, the value of non-residential permits rose 6.8% in July. The industrial sector was the main source of this increase. It registered strong growth of 16.2%, after three months of relative stability. Institutional permits also posted a sizeable increase. Unlike residential permits, where the strengthening was widespread

Building Permits

(billions of dollars, seasonally adjusted)



geographically, Quebec and British Columbia were the only regions to report higher levels of non-residential building permits.

For further information, order *Building Permits* (catalogue number 64-001) or contact *Science, Technology and Capital Stock Division* at (613) 951-1664.

Average Weekly Earnings Post Faster Growth

In August, average weekly earnings were up 5.0% over the same month a year earlier. This compares with an average year-over-year increase of 4.6% for the first eight months of 1989 and 4.8% for all of 1988. Following a six-month period when the year-over-year change was

relatively stable, particularly in the service industries, both the goods and service industries have shown faster growth in the last three months.

All the goods industries registered higher year-over-year increases in August than average increase for the first eight months of the year. Manufacturing, which

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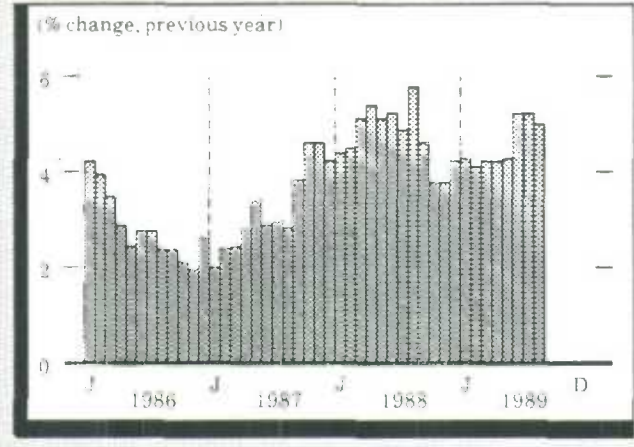
... Average Weekly Earnings Posted Faster Growth

accounts for 70% of the employment in the goods sector, posted an advance of 5.4%, continuing the acceleration in earnings growth shown in the last five months. Forestry showed a notable jump of 9.8%, up substantially from the January to August average and the annual average for 1988 (0.5%).

In the service industries, only finance, insurance and real estate registered a decline in average weekly earnings on a year-over-year basis, continuing the slowdown evident since the start of the year. The growth of earnings in all other service industries appears to have accelerated in August.

In Central Canada, the August increase in earnings was up slightly over the average advance in the January to August period, but remains well below the increase posted in 1988. The Western provinces and New Brunswick continued to register accelerating rates of growth in average weekly earnings.

Average Weekly Earnings

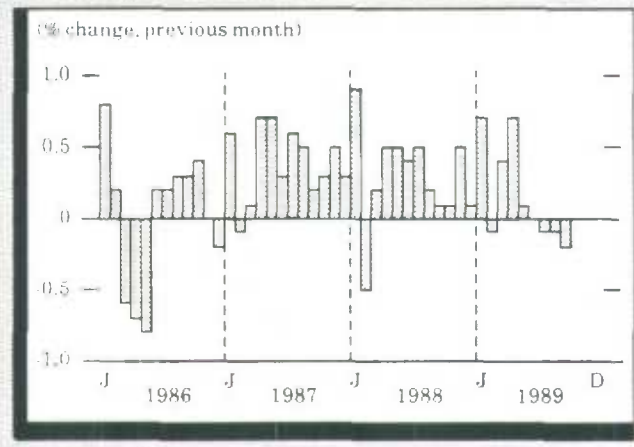


For further information, order *Employment, Earnings and Hours* (catalogue number 72-002) or contact Labour Division at (613) 951-4090.

Industrial Product Prices Weaken

- The industrial product price index (IPPI, 1981 = 100) was down 0.2% in September, the third consecutive decline. The index has shown little or no change on a month-to-month basis since the start of the year.
- On a year-over-year basis, the IPPI was up 1.5%. A slowdown or decline in prices for non-ferrous base metals has contributed to the deceleration in prices for intermediate-stage goods as well as first-stage goods.
- Primary metal product prices fell (-1.8%) in September as they have in almost every month in 1989. The effect of price decreases for nickel and aluminum products was moderated somewhat by an increase for copper and copper alloy products.
- Chemical product prices were down 0.7%, registering a moderate decline for the sixth month in a row. This decrease reflects a continuing downward trend in prices for a large number of synthetic resins and for organic industrial chemicals.
- Prices for petroleum and coal products increased 0.3%, extending the rising trend evident since November 1988.

Industrial Product Price Index



For further information, order *Industry Price Indexes* (catalogue number 62-011) or contact Prices Division at (613) 951-9607.

Downturn in Raw Material Prices

- In September, the raw materials price index declined for the third month in a row (-2.6%), following a six-month period of increases. This decline was broadly based as all components dropped except non-ferrous metals.

- The mineral fuels component decreased (-4.4%) for the fourth month in a row, as crude oil prices continued to weaken. Despite the downturn in recent months, mineral fuels prices remained almost 15% higher than in August 1988.

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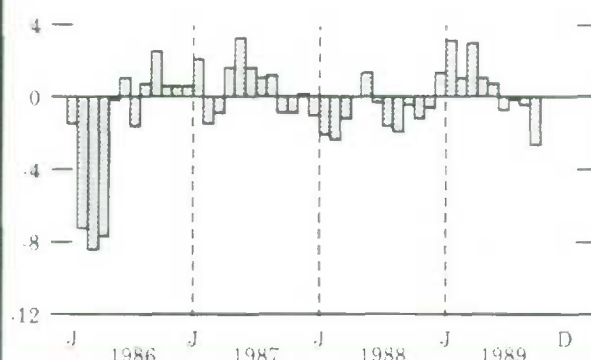
... Downturn in Raw Material Prices

- Animal and animal product prices were down 2.6%, contrasting with an upward trend noted since January. Seasonal increases in the supplies of cattle, hogs, sheep and lambs were primarily responsible for this drop.
- Non-ferrous metal prices registered an increase for only the second time in seven months. Higher prices for concentrates of copper and lead offset price decreases for virtually all other metals.

Further information, order *Industry Price Indexes* (catalogue number 62-011) or contact Prices Division at (613) 951-9607.

Raw Materials Price Index

(% change, previous month)



Decrease in International Travellers Slows

The seasonally adjusted volume of foreign travellers to Canada staying for one or more nights rose slightly in August for the second time in three months. Generally, the number of international tourists has been declining since the start of the year. The increase in August was the result of larger numbers of visitors from both the United States and other countries. The number of United States residents rose for the fourth time since the start of the year, while tourists from other countries increased for the first time since January.

Trips of one or more nights by Canadian residents to the United States continued to follow a rising trend in August. Volume had dropped in June for the first time in three months. Canadian residents were still restricting overseas travel as overnight trips to other countries edged down for the third month in a row.

The United States continued to attract Canadian residents. The volume of trips made increased by almost 60,000 over July. With a few exceptions, total trips to the United States have been rising sharply since the end of 1986.

Change in Tourist Volumes

	Apr.	May	June	July	Aug.
% change, previous year					
Foreign visitors from:					
All Countries	0.6	-2.4	0.8	-3.8	0.6
- United States	0.8	-2.8	1.3	-4.6	0.5
- Other Countries	-0.1	-0.7	-1.3	-0.5	1.4
Canadian visitors to:					
All Countries	1.7	1.0	-1.8	2.8	0.2
- United States	1.7	0.5	-2.0	3.5	0.8
- Other Countries	1.5	3.9	-1.1	-0.7	-2.5

For further information, order *International Travel - Advance Information* (catalogue number 66-001P) or contact Education, Culture and Tourism Division at (613) 951-8933.

Growth in Labour Productivity Slows

The strong growth in productivity recorded at the beginning of the current business cycle has not been maintained in recent years. Unit labour costs, on the other hand, appear to have accelerated since 1986.

In the manufacturing industries, labour productivity rose at a slightly faster rate in 1988 (1.7%) than for the business sector as a whole. Productivity in manufacturing recovered in 1987, but has not reached the

high rates of growth recorded from 1983 to 1985. Unit labour costs, rose at a lower rate in manufacturing (3.2%) than for the business sector as a whole. There are indications that manufacturing unit labour costs have been decelerating since 1986.

The revised figures for labour productivity resulted from more intensive use of the Labour Force survey as a source of data on employment. This change was made in order to base the calculation on a more coherent set of data relating output to employment.

(continued on page 5)

... Growth in Labour Productivity Slows

Revised estimates indicate that labour productivity in the business sector (output per person-hour) rose 1.5% in 1988, while unit labour costs advanced 4.4%.

For further information, order *Aggregate Productivity Measures* (catalogue number 15-204) or contact *Input-Output Division* at (613) 951-3687.

Labour Productivity

	1984	1985	1986	1987	1988
	% change, previous year				
Business Sector					
output/person hour	3.4	0.4	1.8	1.5	1.5
unit labour cost	1.5	3.3	3.1	4.1	4.4
Manufacturing					
output/person hour	8.5	2.9	-1.1	1.7	1.7
unit labour cost	-3.4	2.2	5.1	3.3	3.2

LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
GENERAL				
Gross Domestic Product (\$ billion, 1981)	Aug.*	412	0.3%	2.4%
Composite Leading Indicator (1981 = 100)	July	144.9	0.0%	3.9%
Profits of Industrial Corporations (\$ billion)	2nd Q	8.4	-11.9%	3.3%
DOMESTIC DEMAND				
Retail Trade (\$ billion)	Aug.	14.5	0.2%	5.1%
New Motor Vehicle Sales ('000 units)	Aug.	120	-0.3%	-7.1%
Housing Starts ('000, annual rates)	Aug.	197	-5.2%	-8.8%
LABOUR				
Employment (millions)	Sept.	12.5	-0.2%	2.2%
Unemployment Rate (%)	Sept.	7.3	-0.1	-0.5
Participation Rate (%)	Sept.	67.0	-0.2	0.3
Labour Income (\$ billion)	July	29.2	-0.6%	8.2%
Average Weekly Earnings (\$)	Aug.*	489.06	0.2%	5.0%
INTERNATIONAL TRADE				
Merchandise Exports (\$ billion)	Aug.	11.5	3.4%	-4.0%
Merchandise Imports (\$ billion)	Aug.	11.3	6.7%	1.0%
Merchandise Trade Balance (\$ billion)	Aug.	0.2	-0.3	-0.4
MANUFACTURING				
Shipments (\$ billion)	Aug.	24.8	0.3%	2.2%
New Orders (\$ billion)	Aug.	24.6	-2.5%	0.1%
Unfilled Orders (\$ billion)	Aug.	30.6	0.8%	0.6%
Inventory/ Shipments Ratio	Aug.	1.55	-0.01	0.01
Capacity Utilization (%)	2nd Q	82.2	-0.5	-1.5
PRICES				
Consumer Price Index (1981 = 100)	Sept.	152.6	0.1%	5.2%
Industrial Product Price Index (1981 = 100)	Sept.*	130.9	-0.2%	1.5%
Raw Materials Price Index (1981 = 100)	Sept.*	99.2	-2.6%	4.4%
New Housing Price Index (1981 = 100)	Aug.	150.0	-0.1%	13.0%

Note: All series are seasonally adjusted with the exception of average weekly earnings and the price indexes.

* New this week.

PUBLICATIONS RELEASED FROM OCTOBER 27 TO NOVEMBER 2

AGRICULTURE

Farm Product Price Index, August 1989. Catalogue number 62-003 (Canada: \$6.80/\$68; Other Countries: \$8.20/\$82).

EDUCATION, CULTURE AND TOURISM

Touriscope, Vol. 5, No. 8: International Travel, August 1989. Catalogue number 66-001P (Canada: \$5.80/\$58; Other Countries: \$6.40/\$64).

HEALTH

Health Reports, Vol. 1, No. 1 1989. Catalogue number 82-003 (Canada: \$25/\$100; Other Countries: \$30/\$120).

INTERNATIONAL AND FINANCIAL ECONOMICS

Security Transactions with Non-residents, August 1989. Catalogue number 67-002 (Canada: \$15/\$150; Other Countries: \$18/\$180).

System of National Accounts - Canada's International Transactions in Services, 1987 and 1988. Catalogue number 67-203 (Canada: \$30; Other Countries: \$36).

INDUSTRY

Mineral Wool including Fibrous Glass Insulation, September 1989. Catalogue number 44-004 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

Monthly Survey of Manufacturing, August 1989. Catalogue number 31-001 (Canada: \$17.30/\$173; Other Countries: \$20.80/\$208).

New Motor Vehicle Sales, May 1989. Catalogue number 63-007 (Canada: \$13.70/\$137; Other Countries: \$16.40/\$164).

Oils and Fats - Revised, August 1989. Catalogue number 32-006 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

INDUSTRY - Concluded

Production, Shipments and Stocks on Hand of Sawmills in British Columbia, August 1989. Catalogue number 35-003 (Canada: \$6.80/\$68; Other Countries: \$8.20/\$82).

Quarterly Report on Energy Supply-Demand in Canada, First Quarter 1989. Catalogue number 57-003 (Canada: \$30.25/\$121; Other Countries: \$36.25/\$145).

Retail Trade, May 1989. Catalogue number 63-005 (Canada: \$16.80/\$168; Other Countries: \$20.20/\$202).

Retail Trade, June 1989. Catalogue number 63-005 (Canada: \$16.80/\$168; Other Countries: \$20.20/\$202).

The Sugar Situation, September 1989. Catalogue number 32-013 (Canada: \$4.70/\$47; Other Countries: \$5.60/\$56).

INTERNATIONAL TRADE

Exports by Commodity (H.S. Based), August 1989. Catalogue number 65-004 (Canada: \$52.50/\$525; Other Countries: \$63/\$630).

Imports by Commodity (H.S. Based), August 1989. Catalogue number 65-007 (Canada: \$52.50/\$525; Other Countries: \$63/\$630).

Summary of Canadian International Trade (H.S. Based), August 1989. Catalogue number 65-001 (Canada: \$17.30/\$173; Other Countries: \$20.80/\$208).

SCIENCE, TECHNOLOGY AND CAPITAL STOCK

Building Permits, May 1989. Catalogue number 64-001 (Canada: \$21/\$210; Other Countries: \$25.20/\$252).

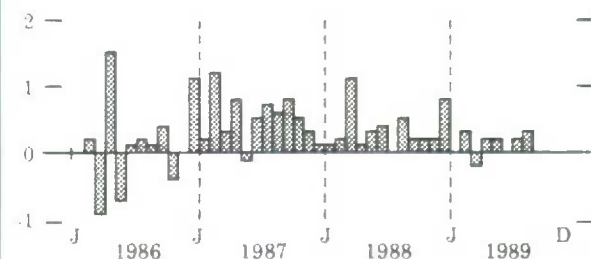
SERVICES

Telephone Statistics, August 1989. Catalogue number 56-002 (Canada: \$7.90/\$79; Other Countries: \$9.50/\$95).

CURRENT TRENDS*

Gross Domestic Product

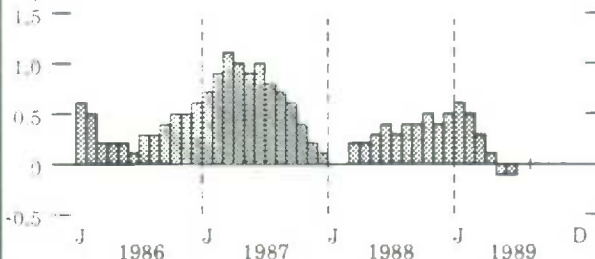
(% change, previous month)



Real gross domestic product rose 0.3% in August, after growing sluggishly since the start of the year.

Composite Leading Indicator

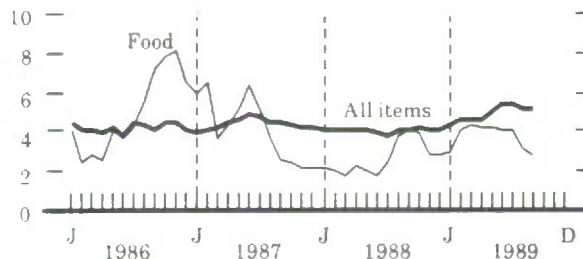
(% change, previous month)



The composite leading indicator was unchanged in July after falling slightly in May and June.

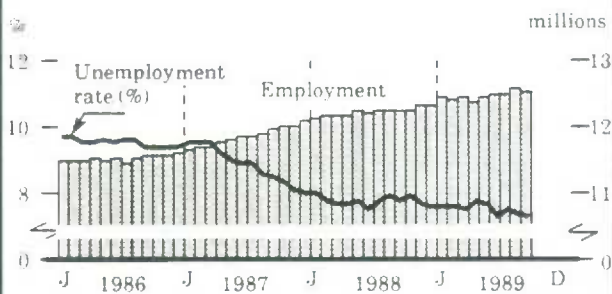
Consumer Price Index

(% change, previous year)



The year-over-year change in the CPI was 5.2% in September, unchanged from August.

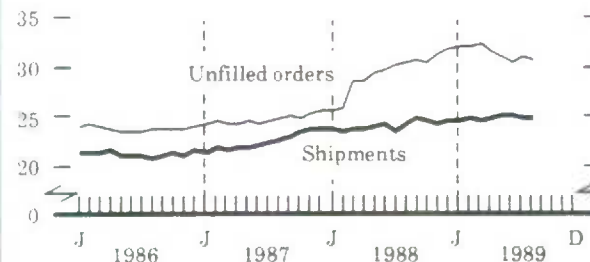
Unemployment Rate and Employment



The unemployment rate was slightly lower in September than in most months since January.

Manufacturing

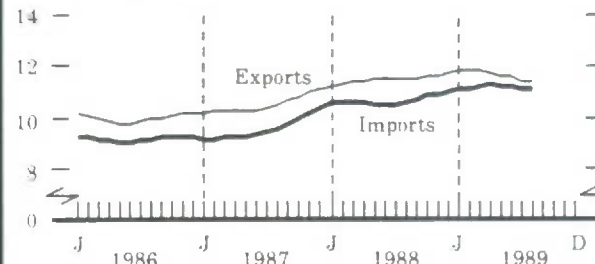
(billions of dollars)



Manufacturing shipments were up 0.3% in August to \$24.0 billion. This was the first time shipments have grown since May.

Merchandise Trade

(billions of dollars, short-term trend)



The value of merchandise trade rose significantly in August, following two consecutive monthly declines.

* All series are seasonally adjusted except the consumer price index.



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KEY RELEASE CALENDAR: November 1989*

Monday	Tuesday	Wednesday	Thursday	Friday
		1	2 Business Conditions, 4 th quarter	3 Composite Leading Indicator, August
6	7 Labour Income, August Housing Starts, September	8 Help-wanted Index, October	9 New Housing Price Index, September	10 Labour Force Survey, October New Motor Vehicle Sales, September Farm Product Price Index, September
13 Department Store Sales, September	14	15	16 International Trade, September	17 Consumer Price Index, October
20 International Travel, September	21 Building Permits, August	22 Survey of Manufacturing, September	23 Retail Trade, September Department Store Sales and Stocks, September	24 International Travel Account, 3 rd quarter Security Transactions, September Wholesale Trade, September
27 Employment, Earning and Hours, September	28 Farm Cash Receipts, September Farm Net Income, 1988	29 Unemployment Insurance Statistics, September Industrial Corporation's, Financial Statistics, 3 rd quarter	30 Income and Expenditure Accounts, 3 rd quarter Balance of Payments, 3 rd quarter Gross Domestic Product, September Financial Flow Accounts, 3 rd quarter Industrial Product Price Index, October Raw Materials Price Index, October	

* Release dates for International Trade, the Consumer Price Index and the Labour Force Survey are fixed; dates for other data series may change.

I·N·F·O·R·M·A·T**A Weekly Review**

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